

Message Text

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ACTION NEA-10

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SUBJ: TEXTILE TRADE MISSION TO IRAN EARLY DECEMBER 1978

REF: TEHRAN 5811, USDOC 10624

1. EIGHT EXTILE COMPANIES AND ONE US DISTRIBUTOR IN TEHRAN, AND TEN COMPANIES IN ISFAHAN AREA CONTACTED ABOUT PROSPECTS FOR INCREASED SALES OF US TEXTILE EQUIPMENT. RESULTS WERE DISCOURAGING. NOT ONE COMPANY INDICATED ANY PLANS FOR LARGE EQUIPMENT PURCHASES OVER NEXT ONE OR TWO YEARS. SOME CITED CIVIL DISTURBANCES AS REASON FOR UNCERTAINTY AFFECTING INVESTMENT CLIMATE. OTHERS ASSERTED TEXTILE INDUSTRY WAS DEPRESSED, SALES WERE OFF, AND BANKS WERE WITHHOLDING CREDIT. SEVERAL PLANTS IN ISFAHAN HAVE CUT BACK WORK FORCE BY ALMOST HALF.

2. THERE MAY HAVE BEEN OVER-EXPANSION RECENTLY. IN ADDITION, MOST OF THOSE THAT ARE NOW IN PROCESS OF COMPLETING EXPANSION PLANS HAVE ALREADY MADE MACHINERY PURCHASE DECISIONS OR ARE ABOUT TO DO SO. IN NO CASE
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HAVE THEY CONSIDERED PURCHASING AMERICAN EQUIPMENT. ON BRIGHTER SIDE, HOWEVER, MANY PLANTS MAKE CONTINUING SMALL EQUIPMENT PURCHASES, AND THERE MAY BE A GOOD MARKET IN ACCESSORY AND SPECIALIZED EQUIPMENT SUCH AS SANFORIZING EQUIPMENT, TRANSPORT SYSTEMS, SYNTHETIC FIBER MANUFACTURING EQUIPMENT, CLEANING AND DRYING EQUIPMENT, ETC.

3. US EQUIPMENT HAS LESS THAN TWO PERCENT OF THE MARKET, WITH MOST SUPPLIERS FROM GERMANY, JAPAN, ENGLAND SWITZERLAND AND FRANCE. SOME PLANTS THAT HAVE US EQUIPMENT ARE NOT USING IT BECAUSE MANAGERS BELIEVE IT NOT TO BE AS EFFICIENT AS EUROPEAN AND JAPANESE EQUIPMENT AND BECAUSE OF SPARE PARTS AND SERVICE PROBLEMS.

4. ONLY AMERICAN LUMMUS REPRESENTATIVE HAD ENCOURAGING WORDS. LUMMUS APPEARS TO BE ONLY US MANUFACTURER WITH GOOD MARKET IN IRAN, SELLING SPECIALIZED EQUIPMENT FOR SYNTHETIC EXTRUSION PLANTS.

5. CONTACTS EXPRESSED VARIETY OF OPINIONS ABOUT QUALITY AND REPUTATION OF AMERICAN EQUIPMENT. SOME SAID IT WAS GOOD QUALITY, AND SINCE US PRICES WERE NOW MORE COMPETITIVE, THERE WERE OPPORTUNITIES FOR US MANUFACTURERS, BUT ONLY IF THEY WERE WILLING TO ESTABLISH A CONTINUING PRESENCE, PROVIDE MORE SERVICE, AND, ESPECIALLY, MARKET THEIR PRODUCT MORE AGGRESSIVELY. FRENCH AND GERMAN MANUFACTURERS WERE SAID TO BE ESPECIALLY AGGRESSIVE IN MARKETING PRACTICES, OFTEN MAKING IMPRESSIVE SALES PRESENTATIONS THE DAY AFTER AN IRANIAN TEXTILE FIRM APPLIED TO THE GOVERNMENT FOR AN EXPANSION LICENSE. OTHER CONTACTS EITHER DID NOT KNOW MUCH ABOUT AMERICAN EQUIPMENT OR BELIEVED IT TO BE UNCLASSIFIED

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TECHNOLOGICALLY INFERIOR TO EUROPEAN AND JAPANESE EQUIPMENT. SHIPPING COSTS AND DELAYS IN DELIVERY WERE ALSO CITED AS IMPEDIMENTS TO US SALES. MOST IRANIAN MANAGERS FREQUENTLY VISIT EUROPEAN EQUIPMENT MANUFACTURERS AND OFTEN MAKE PURCHASING DECISIONS WHILE ABROAD. IN ADDITION, THE EUROPEANS HAVE PERMANENT OFFICES HERE STAFFED WITH FOREIGN EXPERTS. SOME OF THOSE CONTACTED HAD ATTENDED THE INTERNATIONAL TEXTILE EQUIPMENT EXHIBITION HELD RECENTLY IN GREENVILLE, SOUTH CAROLINA, AND SAID THEY WERE FAMILIAR WITH US EQUIPMENT.

6. OUR RECOMMENDATION IS THAT TEXTILE TRADE MISSION VISIT IRAN BUT MEMBERS SHOULD NOT EXPECT TOO MUCH. MISSION COULD USE TRADE CENTER IF THEY CAME DURING FIRST WEEK IN DECEMBER. THEY SHOULD INVESTIGATE OPPORTUNITIES AND CONSIDER WHETHER TO MAKE MORE OF A MARKETING EFFORT HERE. IF INDUSTRY BELIEVES US EQUIPMENT IS COMPETITIVE IN QUALITY AND PRICE, MISSION MAY SEEK TO EDUCATE IRANIAN BUYERS ABOUT ADVANTAGES OF US EQUIPMENT. NAAS

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